

Dwight Kasperbauer

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1 to go one by one or --
 2 MR. TAMBURRI: Yeah.
 3 Q. (BY MR. TAMBURRI) Do you mind going one by one?
 4 A. No not at all. The first measure appears to be a
 5 measure of the cost per adjusted discharge, a
 6 measure of how much it costs for us to deliver
 7 care. And it indicates that our decrease was 3 and
 8 a half percent, while the medical component cost
 9 index increased 4.7 percent. So our costs went --
 10 our costs went down at a time when the Consumer
 11 Price Index was going up.
 12 Q. Can I ask you about this first -- I don't mean to
 13 interrupt.
 14 A. No.
 15 Q. What was this designed -- what was the purpose of
 16 this, of this Performance Measure, in layman's
 17 terms?
 18 A. To incend people to not be wasteful with expenses.
 19 Q. Okay.
 20 A. Operating results, as measured by the excess of
 21 revenue over non-operating gains over expenses.
 22 So that's, essentially, the margin, operating
 23 margin of the company. And the comment is that the
 24 excessive revenue, non operating gains over
 25 expenses exceeded the target by \$120,000.

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1 So we were successful in generating a higher
 2 operating margin than was anticipated.
 3 Q. This second performance measure was designed,
 4 essentially, to measure net income of AHERF; is
 5 that a fair statement?
 6 MS. DeMASI: Objection, form.
 7 A. Yeah, I guess -- yeah, operating profit.
 8 Q. (BY MR. TAMBURRI) Okay. How about the third
 9 performance measure?
 10 A. This is a measure of increase in net equity of the
 11 organization or of value of the organization. And
 12 it increased at a rate greater than the Consumer
 13 Price Index, so the equity, the value of the
 14 organization went up.
 15 Q. This is a measure -- Performance Measure Number 3
 16 is designed to measure the net worth of AHERF?
 17 A. Yeah, that would be accurate.
 18 Q. What about the fourth performance measure?
 19 A. The fourth one deals with maintaining a level of
 20 uncompensated care for patient services, and
 21 uncompensated care is a percentage of net patient
 22 revenue decreased. And as I recall, managing
 23 uncompensated care was a measure of trying to
 24 control bad debt.
 25 Q. Okay.

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1 A. And managing appropriately other forms of
 2 uncompensated care, charity care.
 3 Q. Okay. What about the fifth performance measure?
 4 A. This is an incentive to recognize increased volume
 5 or business activity, occupancy rate measured by
 6 admission. So it's designed to reflect reward for
 7 growing the organization.
 8 Q. How about the sixth performance measure?
 9 A. That's a measure of research funding. The idea is
 10 to attract more research funding to support
 11 research within the organization.
 12 Q. These six performance measures were all measures of
 13 AHERF's performance during fiscal year '95 rather
 14 than the performance of any of its subsidiaries; is
 15 that --
 16 A. Correct.
 17 Q. Okay.
 18 A. That's correct.
 19 Q. And is it your understanding that all six of these
 20 performance measures had to be satisfied for AHERF
 21 executives to be eligible for bonuses?
 22 A. I don't know if they all had to be satisfied. I
 23 think these were the factors that the Compensation
 24 Committee looked at when they evaluated
 25 performance, but I don't know -- going back to what

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1 you said earlier' about must goals --
 2 Q. Okay.
 3 A. -- I don't know if these were expressed as must
 4 goals or not, I don't recall.
 5 Q. Okay. If you look at the top of the document, it
 6 says, "The following quantitative performance
 7 measures, which are compiled primarily from
 8 information contained within the audited financial
 9 statements, where appropriate, and which have been
 10 reviewed and verified by Coopers & Lybrand, are
 11 intended to assist in the annual evaluation of
 12 AHERF's performance and that of its key managers
 13 and employees."
 14 What was Coopers & Lybrand's role in this
 15 incentive?
 16 A. It's my understanding that they perform what's
 17 called in the business as an agreed-upon procedures
 18 audit, which is essentially a review and
 19 affirmation that the information that's provided is
 20 provided consistent with procedures and business
 21 practices.
 22 Q. Okay. After reviewing that first sentence, is it
 23 your recollection that Coopers & Lybrand -- Coopers
 24 & Lybrand evaluated whether AHERF -- let me take a
 25 step -- I'm going to ask you that question in a

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<p style="text-align: right;">Page 110</p> <p>1 A. It would have been the top seven or eight people in 2 the organization in terms of the short and long 3 term, and then other vice president level people. 4 Q. Okay. 5 A. More than I can recall. 6 Q. Okay. Is it your understanding that the committee 7 approved the award of -- the Compensation Committee 8 approved the award of those incentive bonuses 9 because these six performance measures were indeed 10 satisfied for 1995? 11 A. Yes. 12 Q. Do you have an understanding as to why the 13 agreed-upon procedures that Coopers & Lybrand 14 implemented in connection with these performance 15 measures included a review of the audited financial 16 statements by Coopers? 17 MS. DeMASI: Object to the form. 18 Q. (BY MR. TAMBURRI) Do you know what I'm asking? 19 Do you understand? 20 A. Not exactly, no. 21 Q. Why is it that -- what's you're -- why is it that 22 Coopers was asked to prepare AHERF's calculations, 23 audited financial statements? 24 MS. DeMASI: Objection to form. 25 A. It's my understanding that those are the official</p>	<p style="text-align: right;">Page 112</p> <p>1 people in the organization. Outside the 2 organization reviewing the people that are inside 3 the organization. 4 Q. Do you know if the performance measures, the six 5 performance measures that we talked about earlier 6 changed in any way between fiscal year 1995 and 7 1996? 8 A. I think they did change from time to time. 9 Q. Okay. Do you remember what any of those changes 10 were? 11 A. Not off the top of my head, no. 12 Q. Okay. 13 14 (Document was marked Deposition 15 Exhibit Number 2480 for identification.) 16 17 Q. (BY MR. TAMBURRI) Mr. Kasperbauer, earlier you 18 expressed an interest in getting out of here, or 19 not getting out of here, but -- 20 A. Getting out of here. 21 Q. -- finishing early. 22 A. Yes. 23 Q. I recognize that. If, however, you want to take a 24 break for lunch, just let me know. I'm happy to do 25 whatever you want to do, so it's up to you, really.</p>
<p style="text-align: right;">Page 111</p> <p>1 results of the organization. They're attested to 2 by certified public accountants. And that's the 3 authority that you would go to for information. 4 Q. (BY MR. TAMBURRI) Okay. Did you ever -- did you 5 believe that for purposes of calculating net income 6 as a performance measure, the audited financial 7 statements would be the best source of information? 8 A. Yes. 9 Q. Why do you say that? 10 A. Because they're reviewed by, or analyzed by 11 professionals who are independent of the 12 organization. That's the role of the public 13 accountant, to review the work that's done by the 14 organization to attest to its accuracy. 15 Q. And you held that belief in fiscal year '95? 16 A. Yes, I did. 17 Q. Did you believe, for purposes of fiscal year '95, 18 that the audited financial statements of AHERF were 19 the best indicator of AHERF's net worth for 20 purposes of determining whether AHERF satisfied 21 performance measures regarding its net worth? 22 A. Yes. 23 Q. Why do you say that? 24 A. Again, it's an independent body that's reviewing 25 and attesting to the work that's prepared by the</p>	<p style="text-align: right;">Page 113</p> <p>1 A. I'm fine to continue. 2 Q. That's fine with me. Okay. 3 Let me show you what's been marked as 4 Exhibit 2480. Do you recognize this document? 5 A. This appears to be a report prepared by Al Adamczak 6 concerning the AHERF performance measures for 7 fiscal year 1996. 8 Q. And those performance measures were the performance 9 measures established for determining whether or not 10 AHERF executives would receive bonuses under the 11 incentive program? 12 A. That's correct. 13 Q. Did you receive this document at or about the time 14 it was generated? 15 A. Yes, I would have. 16 Q. You would have kept it in your file? 17 A. Yes, correct. 18 Q. You would have received it because you were the HR 19 VP; is that right? 20 A. That's correct. 21 Q. Does this document accurately depict the six 22 performance measures that have been established for 23 fiscal year '96 for purposes of determining whether 24 AHERF executives would receive bonuses during, for 25 fiscal year '96?</p>

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<p style="text-align: right;">Page 114</p> <p>1 A. I believe it to be accurate, yes.</p> <p>2 Q. Okay. If you look at Performance Measure Number 2,</p> <p>3 it's listed as "Achieve favorable overall operating</p> <p>4 results as measured by net income in excess of</p> <p>5 established targets."</p> <p>6 Net income, again, was a performance measure</p> <p>7 for fiscal year '96?</p> <p>8 A. Correct.</p> <p>9 Q. Performance Measure Number 3. It says, "Achieve a</p> <p>10 favorable trend in financial viability, as measured</p> <p>11 by an increase in net equity, which is greater than</p> <p>12 the change in the consumer price index."</p> <p>13 Again, net worth was a performance measure for</p> <p>14 fiscal year 1996?</p> <p>15 A. That's correct.</p> <p>16 Q. Is it your understanding that determination of</p> <p>17 AHERF's net income for purposes of calculating --</p> <p>18 let me take a step back.</p> <p>19 Is it your understanding that AHERF's 1996</p> <p>20 fiscal year audited financial statements were used</p> <p>21 to determine whether AHERF satisfied the second</p> <p>22 performance measure which dealt with net income?</p> <p>23 MS. DeMASI: Objection to form.</p> <p>24 A. I believe that to be the case, yes.</p> <p>25 Q. (BY MR. TAMBURRI) And why do you say that?</p>	<p style="text-align: right;">Page 116</p> <p>1 regarding its net worth for fiscal year '96?</p> <p>2 MS. DeMASI: Objection to form.</p> <p>3 A. As represented by this document, yes.</p> <p>4 Q. (BY MR. TAMBURRI) Okay. Do you have any reason to</p> <p>5 think that any other information was used other</p> <p>6 than the audited financial statements?</p> <p>7 A. No.</p> <p>8 Q. Did anyone at Coopers ever tell you that</p> <p>9 information other than the audited financial</p> <p>10 statements were used to determine whether AHERF</p> <p>11 satisfied Performance Measures Numbers 2 and 3</p> <p>12 during fiscal year '96?</p> <p>13 A. No.</p> <p>14 Q. How about for 1995?</p> <p>15 A. No.</p> <p>16</p> <p>17 (Document was marked Deposition</p> <p>18 Exhibit Number 2481 for identification.)</p> <p>19</p> <p>20 Q. (BY MR. TAMBURRI) Mr. Kasperbauer, let me show you</p> <p>21 what's been marked as Exhibit 2481. Do you</p> <p>22 recognize this document?</p> <p>23 A. Yes, I do. This is the -- these are the minutes</p> <p>24 from the October 15th, 1996 AHERF Compensation</p> <p>25 Committee meeting.</p>
<p style="text-align: right;">Page 115</p> <p>1 A. As we discussed earlier, as a part of the</p> <p>2 agreed-upon procedures, I guess I would expect that</p> <p>3 the financial performance results would be tied</p> <p>4 back to the audited financial statements.</p> <p>5 Q. Performance Measure Number 3 we discussed is a</p> <p>6 measurement of AHERF's net worth?</p> <p>7 A. That's correct.</p> <p>8 Q. Is it your understanding that AHERF's net worth was</p> <p>9 calculated for purposes of determining whether</p> <p>10 AHERF satisfied Performance Measure Number 3 by</p> <p>11 using the 1996 audited financial statements for</p> <p>12 AHERF?</p> <p>13 A. Yes.</p> <p>14 Q. If you look back at the second performance measure</p> <p>15 regarding net income. Was there anything other</p> <p>16 than audited financial statements used to determine</p> <p>17 whether AHERF satisfied that performance measure?</p> <p>18 A. No, this document would indicate that they would</p> <p>19 use the audited financial statements.</p> <p>20 Q. And nothing else?</p> <p>21 A. And nothing else, yes.</p> <p>22 Q. Okay. Is it fair to say that the audited financial</p> <p>23 statements were the only documents, or the only</p> <p>24 information used to calculate or to determine</p> <p>25 whether AHERF satisfied the performance measure</p>	<p style="text-align: right;">Page 117</p> <p>1 Q. Okay. And you attended this meeting?</p> <p>2 A. Yes, I did.</p> <p>3 Q. And you would have received these minutes as the VP</p> <p>4 of HR and an invitee of the committee?</p> <p>5 A. Yes, I would have.</p> <p>6 Q. And you would have kept a copy of these in your</p> <p>7 file?</p> <p>8 A. Yes, I would have.</p> <p>9 Q. If you'd turn to Page 4 of the minutes.</p> <p>10 A. (Witness complies).</p> <p>11 Q. First "Whereas" clause that you can see on the</p> <p>12 page. It says, "Whereas, the performance measures</p> <p>13 adopted for Fiscal Year 1996 and the results for</p> <p>14 each of those goals are:" And it lists six</p> <p>15 performance measures. Do you see that?</p> <p>16 A. I see them, yes.</p> <p>17 Q. Do these minutes accurately reflect what the</p> <p>18 performance measures were for determining whether</p> <p>19 incentive bonuses would be distributed for fiscal</p> <p>20 year '96?</p> <p>21 A. Yes.</p> <p>22 Q. And they are the same six performance measures that</p> <p>23 were listed in Exhibit 2480?</p> <p>24 A. Yes.</p> <p>25 Q. And the Compensation Committee approved the</p>

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- 1 A. Yes.
- 2 Q. Do you see that the audited financial statements on
- 3 Page, or Page 3 of AHERF's audit and financial
- 4 statements reflect AHERF had a net loss of 11.8
- 5 million for fiscal year '96?
- 6 A. I see that.
- 7 Q. Do you remember any discussion as to whether or not
- 8 the calculation of AHERF's net income for purposes
- 9 of Performance Measure Number 2 was properly
- 10 performed in 1996?
- 11 A. No, I don't.
- 12 Q. Did you ever talk to anyone at Coopers & Lybrand
- 13 about the calculation of net income?
- 14 A. No.
- 15 Q. For fiscal year '96?
- 16 A. No.
- 17 Q. Okay.
- 18
- 19 (Document was marked Deposition
- 20 Exhibit Number 2482 for identification.)
- 21
- 22 Q. (BY MR. TAMBURRI) Mr. Kasperbauer, let me show you
- 23 what's been marked as Exhibit 2482. Do you
- 24 recognize this document?
- 25 A. Yes, I do.

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- 1 Q. What is this document?
- 2 A. It's a letter from Coopers & Lybrand to the Board
- 3 of Trustees of AHERF, essentially, in response to
- 4 my letter asking Coopers & Lybrand to do
- 5 agreed-upon procedures, audit, review of our
- 6 performance measures. So this is their official
- 7 letter back to the Board of Trustees.
- 8 Q. And you would have received a copy of this in the
- 9 ordinary course of your business?
- 10 A. Yes, I would have as HR Vice president. Yes, I
- 11 would have.
- 12 Q. And you would have kept a copy of this document in
- 13 your file as your practice?
- 14 A. Yes, I would have.
- 15 Q. If you'd turn to the second page of the exhibit.
- 16 It's entitled "Agreed-upon Procedures"; do you see
- 17 that?
- 18 A. Exhibit 1?
- 19 Q. Yeah. Starts on Page 42226.
- 20 A. Yes, I have it.
- 21 Q. Does Exhibit 1, which starts on 42226 and runs
- 22 through 42228 accurately reflect the agreed-upon
- 23 procedures for assessing performance measures of
- 24 fiscal year '96?
- 25 A. Yes, to the best of my recollection.

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- 1 Q. And you were involved in determining what those
- 2 agreed-upon procedures were for fiscal year '96?
- 3 MR. HENNING: Objection to form.
- 4 A. In the summary form I wouldn't say I got involved
- 5 in the details of what they would be, but as
- 6 accountants and auditors that they would apply
- 7 their judgment to those agreed-upon procedures.
- 8 Q. (BY MR. TAMBURRI) Okay. So short-term bonuses
- 9 under the Incentive Program were distributed to all
- 10 eligible executives for fiscal year 1995?
- 11 A. Yes, to the best of my recollection.
- 12 Q. Long-term bonuses, the Compensation Committee
- 13 approved the accrual of the long-term bonus to all
- 14 eligible executives based upon fiscal year, AHERF's
- 15 attainment of fiscal year '95 performance measures?
- 16 A. That's correct.
- 17 Q. All eligible AHERF executives received short-term
- 18 bonuses under the Incentive Plan because AHERF
- 19 attained this fiscal '96 -- fiscal year '96
- 20 performance measures?
- 21 A. Yes.
- 22 Q. And all eligible AHERF executives received the
- 23 accrual of the long-term bonus because AHERF
- 24 achieved its performance measures for fiscal year
- 25 '96?

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- 1 A. Yes.
- 2 Q. Do you know if short-term bonuses were distributed
- 3 to eligible executives in 1997, for fiscal year
- 4 1997?
- 5 A. Fiscal year '97 would have ended June of '97. No,
- 6 I don't believe so.
- 7 Q. Do you know why those bonuses were not distributed?
- 8 A. I think at that time we were -- if I have my years
- 9 correct, we were in the midst of downsizing in
- 10 Philadelphia, and the Compensation Committee didn't
- 11 approve bonuses at that time.
- 12
- 13 (Document was marked Deposition
- 14 Exhibit Number 2483 for identification.)
- 15
- 16 Q. (BY MR. TAMBURRI) Mr. Kasperbauer, let me show you
- 17 what's been marked as Exhibit 2483.
- 18 A. Yes, I recognize this.
- 19 Q. Okay. Let me take one step back for a minute. Can
- 20 you take a look at 2478 again.
- 21 A. (Witness complies).
- 22 Q. Can you turn to Pages DBR-AA 22482 through 22484.
- 23 A. Okay.
- 24 Q. These are the agreed-upon procedures for fiscal
- 25 year 1995; is that right?

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1 A. Correct.
 2 Q. Did these pages accurately reflect those
 3 agreed-upon procedures?
 4 A. Yes, to the best of my knowledge.
 5 Q. Okay. Exhibit 2483, what is this document?
 6 A. This is a spreadsheet maintained or created by Dave
 7 Deasy in the Payroll Department to track, on the
 8 first page, Sherif Abdelhak's long-term incentive
 9 accrual and subsequent distributions.
 10 Q. Okay. And did you receive a copy of this document
 11 at the time that it was prepared?
 12 A. Yes.
 13 Q. Why did you receive it?
 14 A. This would have been input information to the
 15 Compensation Committee regarding incentive bonuses
 16 to be awarded.
 17 Q. And you would have received it because you were the
 18 head of HR at the time that you did receive it?
 19 A. Yes, I administered that plan.
 20 Q. Okay. And would you have kept this in your file as
 21 a business practice of yours?
 22 A. Yes, I would have.
 23 Q. Okay. Sherif Abdelhak received a long-term
 24 incentive award for every year between 1988 and
 25 1997; is that correct?

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1 A. That's correct.
 2 Q. And the amount of his awards ranged, during those
 3 years, between \$65,000 and \$185,000?
 4 A. That's correct.
 5 Q. And the total accrued balance of his awards as of
 6 April 30th, 1998, was \$651,357?
 7 A. Yes, correct.
 8 Q. Turn to the next page.
 9 A. (Witness complies).
 10 Q. You received a long-term incentive award for every
 11 year from 1988 through 1997?
 12 A. That's correct.
 13 Q. And the amount of your awards during those years
 14 ranged from \$21,000 to \$78,000?
 15 A. That's correct.
 16 Q. And the total accrued balance of your awards as of
 17 April 30th, '98, was \$280,848?
 18 A. Yes.
 19 Q. Turn to the next page.
 20 A. (Witness complies).
 21 Q. Doctor Kaye, he received a long-term incentive
 22 award for every year between 1991 and 1997?
 23 A. That's correct.
 24 Q. And the total -- or the amount of his awards ranged
 25 from \$31,500 to \$110,000?

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1 A. That's correct.
 2 Q. And the total accrued balance of his awards as of
 3 April 30th, '98, was \$383,395?
 4 A. That's correct.
 5 Q. David McConnell received a long-term incentive
 6 award for every year between 1998 (sic) through
 7 1997?
 8 A. That's correct.
 9 Q. And the amount of his awards range from \$36,000 to
 10 \$110,000?
 11 A. That is also correct.
 12 Q. The accrued balance of his awards totaled \$391,207
 13 as of April 30th, 1998?
 14 A. That's correct.
 15 Q. Mr. Sanzo received an award under the Long-term
 16 Incentive Plan every year from 1998 (sic) through
 17 1997 -- 1988 through 1997?
 18 A. That's correct.
 19 Q. And the range of his awards totaled \$30,000 -- or
 20 ranged from \$30,000 to \$100,000?
 21 A. Correct.
 22 Q. The total accrued balance of his awards was
 23 \$352,152?
 24 A. That's correct.
 25 Q. And that's as of April 30th, '98?

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1 A. That's correct.
 2 Q. Now, there were other executives that received
 3 long-term awards other than the individuals listed
 4 on this exhibit; right?
 5 A. Yes.
 6 Q. Some of those individuals were Nancy Wynstra --
 7 A. Possibly Doctor Ross.
 8 Q. Okay. Joe Dionisio?
 9 A. I believe so.
 10 Q. Okay. Did you ever meet with representatives of
 11 Coopers & Lybrand during the course of their annual
 12 audit?
 13 MS. DeMASI: Objection to form. The
 14 audit of the financial statements?
 15 MR. TAMBURRI: Yeah, I'm sorry, audit of
 16 financial statements.
 17 A. No, not that I recall.
 18 Q. (BY MR. TAMBURRI) Were you ever asked to provide
 19 information to anyone from Coopers & Lybrand in
 20 connection with its audit of the AHERF financial
 21 statements?
 22 A. Only to the extent that I would have been asked for
 23 retirement plan information.
 24 Q. And to the extent that you were asked for
 25 information, did you provide information?

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<p style="text-align: right;">Page 134</p> <p>1 the program?</p> <p>2 A. Yes.</p> <p>3 Q. Okay. Was it your understanding that short-term</p> <p>4 and long-term incentive awards would only be</p> <p>5 distributed if the performance measures were met?</p> <p>6 MS. DeMASI: Objection in form.</p> <p>7 A. Yes.</p> <p>8 Q. (BY MR. TAMBURRI) Why did you have that</p> <p>9 understanding?</p> <p>10 A. That was the essence of what was expressed in the</p> <p>11 administrative document that guided the incentive</p> <p>12 plans.</p> <p>13 Q. Okay. And if those perform -- six performance</p> <p>14 measures had not been met in fiscal year '95, was</p> <p>15 it your expectation that short-term and long-term</p> <p>16 bonuses would not be distributed for that year?</p> <p>17 MS. DeMASI: Objection.</p> <p>18 A. I don't know if the committee would have overridden</p> <p>19 that decision or not. I can't speculate, they had</p> <p>20 their own mind but --</p> <p>21 Q. (BY MR. TAMBURRI) Okay.</p> <p>22 A. -- it wouldn't have been appropriate to recommend</p> <p>23 distribution if we had not met the objectives.</p> <p>24 Q. You would not have recommended distribution in</p> <p>25 fiscal year '95 if those measures had not been met?</p>	<p style="text-align: right;">Page 136</p> <p>1 Q. And did you maintain it in your file in the</p> <p>2 ordinary course of your business?</p> <p>3 A. Yes, I would have.</p> <p>4 Q. What were the criteria for the award of these</p> <p>5 bonuses? I'm sorry, what was the criteria?</p> <p>6 A. I'm not sure of the specific criteria, but it was</p> <p>7 for effort and involvement and essentially extra</p> <p>8 duty for completing the Hahnemann merger,</p> <p>9 recognition for making the deal.</p> <p>10 Q. Were these bonuses approved by the Compensation</p> <p>11 Committee?</p> <p>12 A. I believe so. I don't know so -- don't know so for</p> <p>13 sure.</p> <p>14 Q. Would it have been typical for the Compensation</p> <p>15 Committee to have to approve these bonuses, or</p> <p>16 these types of bonuses before they were</p> <p>17 distributed?</p> <p>18 A. I don't know, I would say this was out of the</p> <p>19 ordinary.</p> <p>20 Q. Okay. Would it have been unusual for the</p> <p>21 Compensation Committee to not have approved these</p> <p>22 bonuses?</p> <p>23 MS. DeMASI: Objection, form.</p> <p>24 A. I'm sorry, rephrase your question.</p> <p>25 Q. (BY MR. TAMBURRI) I know.</p>
<p style="text-align: right;">Page 135</p> <p>1 A. That's correct.</p> <p>2 Q. Nor in '96 would you have recommended that?</p> <p>3 A. That's correct.</p> <p>4 Q. Okay.</p> <p>5</p> <p>6 (Document was marked Deposition</p> <p>7 Exhibit Number 2484 for identification.)</p> <p>8</p> <p>9 Q. (BY MR. TAMBURRI) Mr. Kasperbauer, let me show you</p> <p>10 what's been marked as Exhibit 2484.</p> <p>11 A. Yes, I recognize this.</p> <p>12 Q. Okay. Can you identify it?</p> <p>13 A. It's a memorandum from David McConnell to me</p> <p>14 regarding Hahnemann affiliation completion bonuses</p> <p>15 for completing the Hahnemann merger. And it -- do</p> <p>16 you want me to go on to the particulars?</p> <p>17 Q. Sure.</p> <p>18 A. It indicates a check should be prepared for Sherif</p> <p>19 Abdelhak for \$156,000; Iqbal Paroo for \$106,080;</p> <p>20 David McConnell, 110,760; Nancy Wynstra, 84,240;</p> <p>21 myself, Dwight Kasperbauer for 82,680; and Miles</p> <p>22 Turtz, M.D. for 99,840.</p> <p>23 Q. Did you receive this memo in your capacity as HR</p> <p>24 Vice President from Mr. McConnell?</p> <p>25 A. Yes, I did.</p>	<p style="text-align: right;">Page 137</p> <p>1 A. I think there was a double negative in there.</p> <p>2 Q. Yeah. Was it part of the charge of the</p> <p>3 Compensation Committee to approve bonuses such as</p> <p>4 these?</p> <p>5 A. That's correct, yes.</p> <p>6</p> <p>7 (Documents were marked Deposition</p> <p>8 Exhibit Number 2485 and 2486 for</p> <p>9 identification.)</p> <p>10</p> <p>11 Q. (BY MR. TAMBURRI) Mr. Kasperbauer, let me show you</p> <p>12 two exhibits, one's been marked as 2485 and the</p> <p>13 other as 2486. Let me ask you about 2485. Do you</p> <p>14 recognize this document?</p> <p>15 A. Yes, I do.</p> <p>16 Q. What is this document?</p> <p>17 A. It's a handwritten note from Sherif Abdelhak to me</p> <p>18 on March 26th, 1996 authorizing disbursement of</p> <p>19 \$50,000 in special bonus to Nancy Wynstra and to</p> <p>20 David McConnell on April 1st of 1996.</p> <p>21 Q. And you would have received this because you were</p> <p>22 responsible for dispensing bonuses?</p> <p>23 A. I would give authorization to the Payroll</p> <p>24 Department to dispense the bonus, yes, sir.</p> <p>25 Q. And that's why you would have received this memo?</p>

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- 1 A. That's correct.
 2 Q. And would you have maintained this memorandum in
 3 your file as part of your ordinary practice?
 4 A. Yes, I would have.
 5 Q. There's a second note on this exhibit; is that from
 6 Kathy Simon?
 7 A. That's my assistant, yes.
 8 Q. And why -- what's your understanding as to her
 9 message to you?
 10 A. She's conveying to me that in order for these
 11 bonuses to net \$50,000 that they needed to be
 12 grossed up to allow for taxes, and she's indicating
 13 that because Nancy lived in the City of Pittsburgh,
 14 there was a higher gross-up amount for her.
 15 Q. Was it your understanding that these two bonuses,
 16 one for Mr. McConnell and one for Ms. Wynstra were
 17 to be essentially tax-free bonuses?
 18 A. Yes, those were my instructions.
 19 Q. What was the purpose of these bonuses; do you know?
 20 A. I didn't know at the time, but as the subsequent
 21 exhibit indicates, it may have been for political
 22 contributions.
 23 Q. Okay.
 24 A. I learned about that after the fact.
 25 Q. And Exhibit 2486, could you identify that?

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- 1 A. That's a memorandum from me to David Deasy as the
 2 Payroll Director at that time, directing him to
 3 distribute these net pay bonuses to Nancy Wynstra
 4 and to David McConnell.
 5 Q. And you prepared this in your capacity as HR Vice
 6 President?
 7 A. That's correct, pursuant to Mr. Abdelhak's
 8 direction.
 9 Q. Okay. And you maintained this memo in your files?
 10 A. Yes.
 11 Q. Is that your signature on 2486?
 12 A. Yes, it is.
 13 Q. Do you know if anyone else ever received a bonus, a
 14 special bonus like the one referenced in these past
 15 three -- or in those prior two exhibits?
 16 A. Yes, I think there were two other people in a
 17 similar situation. Joan Crestae (phonetic) and
 18 Chris Copeland.
 19 Q. How much of a bonus did they receive?
 20 A. I don't recall specifically.
 21 Q. Okay.

(Document was marked Deposition
 Exhibit Number 2487 for identification.)

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- 1 Q. (BY MR. TAMBURRI) Let me show you what's been
 2 marked as Exhibit 2487. Do you recognize this
 3 document?
 4 A. No, I don't.
 5 Q. Did you ever come to learn that Mr. Martin, Mike
 6 Martin received a 50,000 bonus, \$50,000 bonus in
 7 connection with the Delaware Valley Debt
 8 Restructuring?
 9 A. I don't recall that, no.
 10 Q. Okay. Did you ever learn that Mr. McConnell
 11 received a \$100,000 bonus for that same
 12 restructuring?
 13 A. No, I don't recall that.
 14 Q. If Mr. Martin and Mr. McConnell were to receive
 15 these bonuses, was it not -- was it -- if Mr. Deasy
 16 was to dispense with these bonuses to Mr. Martin
 17 and Mr. McConnell, didn't protocol provide that you
 18 be the executive at authorizing to do that?
 19 A. That's correct.
 20 Q. Do you have any explanation for why Mr. Abdelhak
 21 sent this memorandum?
 22 A. No, I don't.
 23 MS. DeMASI: Objection to form.
 24 Q. (BY MR. TAMBURRI) Okay.
 25 MS. DeMASI: Mark, can I just ask a

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- 1 question? The exhibit that I have I don't think
 2 references anything about Mike Martin. Do I have
 3 the right document?
 4 MR. TAMBURRI: I'm sorry. You know what,
 5 I have -- my copy has two pages. I think I just
 6 got confused when I gave it to you. Hang on.
 7 Yeah, I think I have a copying error.
 8 Q. (BY MR. TAMBURRI) But just so the record is clear,
 9 Mr. Kasperbauer, the memo you have is dated
 10 June 10th, '96 from Sherif Abdelhak to David
 11 McConnell?
 12 A. That's correct, referencing Delaware Valley Debt
 13 Restructuring.
 14 Q. (BY MR. TAMBURRI) okay. Is it fair to say that
 15 Mr. Abdelhak is authorizing Mr. Deasy to provide
 16 Mr. McConnell with a, this bonus referenced in this
 17 memo was not in compliance with Board-approved
 18 policy?
 19 MS. DeMASI: Objection to form.
 20 MR. HENNING: Object to form.
 21 A. It's certainly out of the protocol that was
 22 discussed or presented earlier to the Comp
 23 Committee.
 24 Q. (BY MR. TAMBURRI) Okay. Did you ever learn -- did
 25 you ever know if there were any other bonuses

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<p style="text-align: right;">Page 142</p> <p>1 provided to executives for debt restructuring?</p> <p>2 A. I don't know.</p> <p>3 Q. Okay. Is the bonus referenced in Exhibit 2487 the</p> <p>4 second instance you have not become aware of</p> <p>5 bonuses that were paid without your, basically,</p> <p>6 without your knowledge?</p> <p>7 A. Yes.</p> <p>8</p> <p>9 (Document was marked Deposition</p> <p>10 Exhibit Number 2488 for identification.)</p> <p>11</p> <p>12 Q. (BY MR. TAMBURRI) Do you have any reason to</p> <p>13 believe that the Compensation Committee approved</p> <p>14 the bonus that Mr. Abdelhak authorized Mr. Deasy to</p> <p>15 provide for the Delaware Valley Debt Restructuring?</p> <p>16 A. Sorry, let me read this.</p> <p>17 Q. I'm sorry. I'm asking about the prior exhibit.</p> <p>18 A. Oh, I'm sorry.</p> <p>19 Q. That's my fault.</p> <p>20 A. Okay.</p> <p>21 Q. Let me ask you about this, this bonus here, it's</p> <p>22 referenced on this. Do you know if the</p> <p>23 Compensation Committee approved this bonus?</p> <p>24 A. I don't know.</p> <p>25 Q. Okay. I'm sorry, this is 24 --</p>	<p style="text-align: right;">Page 144</p> <p>1 Q. Turning to the second page of the exhibit, can you</p> <p>2 identify this memo for me?</p> <p>3 A. This is also a memorandum written on September 5th,</p> <p>4 1996 from William P. Snyder III to David Deasy, and</p> <p>5 it's instructions to award special bonuses for</p> <p>6 extraordinary effort on contributions made in the</p> <p>7 acquisition of the Forbes Health System. First is</p> <p>8 in the amount of \$100,000 to Sherif Abdelhak, and</p> <p>9 the second is \$75,000 to David McConnell.</p> <p>10 Q. Did you receive this document?</p> <p>11 A. Not that I'm aware of.</p> <p>12 Q. Would you have expected to have received copies of</p> <p>13 these documents at the time they were transmitted?</p> <p>14 A. Well, pursuant to our protocol, I normally would</p> <p>15 have expected the instructions to come through me</p> <p>16 to go to the Payroll Department.</p> <p>17 Q. Okay. Do you know why you were circumvented?</p> <p>18 MS. DeMASI: Object to the form.</p> <p>19 A. I do not.</p> <p>20 Q. (BY MR. TAMBURRI) Do you know if anyone else</p> <p>21 received a Forbes Health System acquisition bonus</p> <p>22 other than Mr. Abdelhak and Mr. McConnell?</p> <p>23 A. I don't know.</p> <p>24</p> <p>25 (Document was marked Deposition</p>
<p style="text-align: right;">Page 143</p> <p>1 A. 88.</p> <p>2 Q. Exhibit 2488 is two memos; is that correct?</p> <p>3 A. That's correct.</p> <p>4 Q. They're both dated September 5th, 1996. Can you</p> <p>5 identify the first page of this exhibit?</p> <p>6 A. The first is a memorandum from W.P. Snyder III to</p> <p>7 Dave Deasy. And it is -- it's instructions to Dave</p> <p>8 Deasy to prepare special checks recognizing</p> <p>9 outstanding efforts for The Graduate Hospital</p> <p>10 merger for Sherif Abdelhak, the amount was</p> <p>11 \$150,000; for David McConnell it was \$112,500; and</p> <p>12 for Myles Turtz, MD, \$75,000.</p> <p>13 Q. Did you receive this document?</p> <p>14 A. Not that I recall.</p> <p>15 Q. Do you remember learning that Mr. Abdelhak,</p> <p>16 Mr. McConnell and Doctor Turtz received bonuses for</p> <p>17 The Graduate Hospital acquisition?</p> <p>18 A. I knew that there were completion bonuses granted</p> <p>19 at that time.</p> <p>20 Q. Do you know if the Compensation Committee approved</p> <p>21 of these bonuses?</p> <p>22 A. I don't know.</p> <p>23 Q. Do you know if anyone else received a bonus in</p> <p>24 connection with The Graduate Hospital acquisition?</p> <p>25 A. Not that I'm aware of.</p>	<p style="text-align: right;">Page 145</p> <p>1 Exhibit Number 2489 for identification.)</p> <p>2</p> <p>3 Q. (BY MR. TAMBURRI) Mr. Kasperbauer, let me show you</p> <p>4 what's been marked as Exhibit 2489. Do you</p> <p>5 recognize this document?</p> <p>6 A. No, I do not.</p> <p>7 Q. Okay. Did you learn at some point that</p> <p>8 Mr. McConnell received a \$100,000 bonus in</p> <p>9 connection with the acquisition of the Pain Group</p> <p>10 Medical Associates?</p> <p>11 A. No, I don't know or recall.</p> <p>12 Q. Do you know if anyone else received a bonus in</p> <p>13 connection with the acquisition of that physician</p> <p>14 practice group?</p> <p>15 A. This document would suggest that Sherif Abdelhak</p> <p>16 received \$150,000 for that.</p> <p>17 Q. And again, would you have expected to received a</p> <p>18 copy of this document in connection with your</p> <p>19 responsibilities for authorizing Mr. Deasy to</p> <p>20 distribute compensation?</p> <p>21 A. Yes, if we follow the normal course of business I</p> <p>22 would have done that.</p> <p>23 Q. Did anyone ever tell you why you were not copied on</p> <p>24 this memo?</p> <p>25 A. No.</p>

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1 McConnell, Nancy Wynstra, Donald Kaye, Anthony
2 Sanzo, Leonard Ross, and myself.

3
4 (Document was marked Deposition
5 Exhibit Number 2491 for identification.)
6

7 Q. (BY MR. TAMBURRI) Let me show you what's been
8 marked as Exhibit 2491.

9 A. Yes.

10 Q. Do you recognize this document?

11 A. Yes. This is a memorandum from Susan Kirsch,
12 Senior Director of Taxation, to me regarding the
13 KEYSOP program.

14 Q. And you asked Ms. Kirsch to prepare this memo?

15 A. I'm not sure if I asked her to prepare it. She was
16 involved in the discussion and presented it,
17 brought it forward.

18 Q. You received this in the ordinary course of your
19 business?

20 A. Yes.

21 Q. And you kept it in your file?

22 A. Yes.

23 Q. If you'd turn to the last page of the memo under
24 the section "Form 990 Matters."

25 A. Yes.

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1 Q. Do you see that?

2 A. Uh-huh.

3 Q. The last sentence says, "Perhaps just as important
4 as the IRS's opinion of the Plan will be the
5 public's opinion of the compensation package and
6 AHERF's ability to manage their perceptions in a
7 tumultuous healthcare environment."

8 What was your reaction, what was your
9 understanding of Ms. Kirsch's sentence?

10 MS. DeMASI: Objection to form.

11 A. I think she was expressing concern that if
12 executive compensation were released to the public,
13 that it would be, create an unfavorable public
14 opinion about the organization and its executives.

15 Q. (BY MR. TAMBURRI) Why do you say that? I'm sorry.

16 A. I'm drawing a conclusion about what her thoughts
17 were.

18 Q. Did you ever talk to her about that sentence?

19 A. I may have.

20 Q. Okay.

21 MR. HENNING: Mark, I think we have to
22 change tapes.

23 MR. TAMBURRI: Oh, I'm sorry.

24
25 (Off the record.)

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1
2 Q. (BY MR. TAMBURRI) Do you remember the content of
3 any communications you had with Ms. Kirsch about
4 that sentence?

5 A. I think she may -- and she was expressing concern
6 about public opinion on the compensation package,
7 and I don't recall a specific conversation with
8 her, but if I had one it would have been around the
9 sense that in health care, almost any level of
10 compensation above a hundred thousand dollars for
11 an executive is a cause for a concern. So we live
12 with that issue daily regardless of whether it's a
13 KEYSOP program or another type of program.

14 Q. Why would compensation above a hundred thousand
15 dollars be concern? I mean, as you used the term?

16 A. Well, and this is my opinion now, my impression,
17 that in a health care environment, viewed as a
18 charity or not-for-profit organization, that high
19 levels of compensation, although may be merited
20 toward the content of the work that people do
21 compared to other industries, is still viewed as
22 health care, and there's a potential for public
23 concern for that.

24 Q. Did the Compensation Committee ultimately approve
25 the KEYSOP program?

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1 A. Yes.

2
3 (Document was marked Deposition
4 Exhibit Number 2492 for identification.)
5

6 Q. (BY MR. TAMBURRI) Mr. Kasperbauer, let me show you
7 what's been marked as Exhibit 2492. I'll let you
8 look at it. Again, my question is going to be if
9 you recognize this document?

10 A. Yes, this is the -- these are the minutes from the
11 March 11th, 1998 AHERF Compensation Committee
12 meeting.

13 Q. And you attended that meeting?

14 A. Yes, I did.

15 Q. And you would have received a copy of these minutes
16 in connection with your role as Vice President of
17 HR?

18 A. That's correct.

19 Q. Do you know if these minutes were prepared around
20 the time that the meeting took place?

21 A. I believe so, yes.

22 Q. And would you have kept a copy of these minutes in
23 your HR file?

24 A. Yes, I would have.

25 Q. If you look at Page 2 of the minutes, under heading

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<p style="text-align: right;">Page 154</p> <p>1 "C. Compensation Items/Executive Benefit Plan 2 Amendments." 3 A. Uh-huh. 4 Q. It says, "Mr. Abdelhak and Mr. Kasperbauer 5 presented a recommendation to The AHERF 6 Compensation Committee to modify the existing 7 benefit program for the senior executives of the 8 organization in a manner which would make the 9 benefit structure a better vehicle for building 10 capital. They stated that while the proposed 11 changes would make the benefit program more 12 valuable to the executives, these changes will cost 13 the organization no more than the benefit program 14 in its present configuration." 15 First of all, did you state to the Compensation 16 Committee that the changes would make the KEYSOP 17 program more valuable to the executives? 18 A. The main element of this was that, through the use 19 of mutual funds as a repository or holding folder 20 for the benefits, the participant could get benefit 21 from the growth in mutual funds over time. 22 Q. Okay. 23 A. As opposed to an interest-bearing account or an 24 interest-crediting arrangement like we had under 25 the Long-Term Incentive Plan.</p>	<p style="text-align: right;">Page 156</p> <p>1 Q. And how about the Non-Qualified Restoration 2 Benefit? 3 A. I don't recall if that was. 4 Q. Let me just show you what I'm referring to. 5 A. Yes. 6 Q. It's on Page 3, and it's the last sentence. 7 A. Okay. 8 Q. The third full paragraph. 9 A. Okay. 10 Q. So the KEYSOP was to replace a Non-Qualified 11 Restoration Benefit, the Executive Retirement 12 Account, the Deferred Bonus Program? 13 A. Yes. Essentially, the capital accounts that were 14 held by the executives, and allocated to the 15 executives. 16 Q. And was the idea that those accounts would either 17 be liquidated or rolled into the KEYSOP in that 18 those accounts would provide the funding for the 19 KEYSOP? 20 A. Correct, yes. 21 Q. And if that -- given that, that's why you told the 22 Committee that the KEYSOP would cost no more, would 23 be that AHERF would incur no additional costs? 24 A. Right. 25 Q. By the switch to the KEYSOP?</p>
<p style="text-align: right;">Page 155</p> <p>1 Q. Okay. Was another difference between the KEYSOP 2 program and the Long-Term Incentive Plan that 3 participants of KEYSOP could cash in, essentially, 4 the KEYSOP benefits at any time, or they had to 5 wait five years to access the long-term bonus? 6 A. Yeah. There were timing thresholds with the KEYSOP 7 program, I don't recall specifically what they 8 were, but there were exercise periods under the 9 KEYSOP plan, yes. 10 Q. And they were less restrictive than the time 11 privileges under the long-term bonus? 12 A. Yes, they could have been, yes. 13 Q. Why did you -- first of all, did you tell the 14 Committee that KEYSOP, the KEYSOP program would 15 cost the organization no more than the benefit 16 program in its present configuration? 17 A. The set-up of the KEYSOP program was to roll the 18 current Long-Term Incentive Plan balances into it. 19 So those were accounts or amounts that were already 20 on the books, and then future accruals would go 21 into the KEYSOP based upon the accrual of the 22 incentive plans. 23 Q. Okay. Was there a rollover, also, of the executive 24 retirement account? 25 A. Yes, that's correct.</p>	<p style="text-align: right;">Page 157</p> <p>1 A. Right. Dollars that were already on the books, so 2 to speak, in each of these programs would be 3 consolidated in the KEYSOP program. 4 Q. Okay. And this March 11th, '98 meeting of the 5 Compensation Committee was the meeting in which the 6 Committee approved the KEYSOP program? 7 A. Yes. 8 Q. Okay. What did you do after the KEYSOP program was 9 approved in order to implement it? 10 A. Put together the -- I put together the analysis of 11 the funds that were in the various accounts, and 12 then prepared summary documents for the executives 13 to show what had been rolled over and what they 14 needed to do to enroll in the KEYSOP program. 15 Q. Okay. Who were the executives that were eligible 16 in the first wave of the KEYSOP program? Who was 17 eligible to participate? 18 A. Sherif, David, Sherif Abdelhak, David McConnell, 19 Nancy Wynstra, Anthony Sanzo and myself. I think 20 that was it. 21 22 (Document was marked Deposition 23 Exhibit Number 2493 for identification.) 24 25 Q. (BY MR. TAMBURRI) Mr. Kasperbauer, let me show you</p>

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<p style="text-align: right;">Page 158</p> <p>1 what's been marked as Exhibit 2493. Can you 2 identify this document? 3 A. This is a summary or a spreadsheet of the funds 4 that would be allocated into the KEYSOP. 5 Q. Did you prepare this document? 6 A. Yes, or one of my staff members would have, yes. 7 Q. At your direction? 8 A. Yes. 9 Q. There's, in the third column of the spreadsheet, 10 there's a column entitled "Assets"? 11 A. Uh-huh. 12 Q. What's your understanding as to the purpose of that 13 column, or what does that column signify? 14 A. Those would have been assets that were held in 15 those various accounts. I guess that's the best 16 way I can describe it. 17 Q. Okay. There's a number on the far right column 18 under "Sub-Total"? 19 A. Uh-huh. 20 Q. What's that number there? 21 A. On the far right? 22 Q. Yeah. 23 A. Two million 005? 24 Q. Yep. 25 A. I think that's the shortage of funding for the</p>	<p style="text-align: right;">Page 160</p> <p>1 A. Uh-huh. 2 Q. Does the number in the far right column here, it's 3 \$2,005,269.70; that signifies the extent to which 4 the KEYSOP program was underfunded as of May 1st, 5 1998? 6 A. Yes. 7 Q. Okay. And turning to Exhibit 2494, who was Miriam 8 Bailey? 9 A. Miriam Bailey was a benefit specialist that worked 10 in the Human Resources Department, worked 11 indirectly for me. 12 Q. Okay. And what is -- what's your understanding as 13 to why she sent you this message? 14 A. I think she's indicating that there was some 15 difficulty in funding the KEYSOP amount, to move 16 the cash into the mutual funds. And she's saying 17 that Mike Martin, there's a T-Note that could be 18 liquidated for the funding, but that the future 19 compensation would have to wait till later in the 20 year, the future compensation, future accruals 21 would have to wait till later in the year. 22 Q. So her suggestion that the KEYSOP is underfunded is 23 consistent with Exhibit 2493, which indicates that 24 it was underfunded by over \$2 million as of May 1, 25 '98?</p>
<p style="text-align: right;">Page 159</p> <p>1 various accounts that were going to be rolled over. 2 Q. So the accounts that were to be used to fund the 3 KEYSOP program had insufficient funds to properly 4 fund the KEYSOP program? 5 A. Yeah. These items shown as assets would have been 6 assets. The -- I think the \$2 million that is 7 indicated here would have been an expense entry or 8 an entry on the books of the organization as a 9 liability. 10 So in the sense that the assets were actually 11 tangible or not tangible but were assets, 12 investments, the \$2 million was a recorded 13 liability of the organization for the Long-Term 14 Incentive Plan, but not funded per se. 15 Q. Okay. 16 17 (Document was marked Deposition 18 Exhibit Number 2494 for identification.) 19 20 Q. (BY MR. TAMBURRI) Mr. Kasperbauer, let me show you 21 what's been marked as Exhibit 2494. 22 A. This is the e-mail from Miriam Bailey to me 23 concerning KEYSOP funding. 24 Q. Let me ask you one question about the last exhibit 25 before we get to this one.</p>	<p style="text-align: right;">Page 161</p> <p>1 A. In terms of cash for the funding, yes. 2 Q. Okay. In the last sentence of the first full 3 paragraph, her e-mail, she writes, "He is concerned 4 that the \$2 million will have a negative impact on 5 payroll at the end of the month." 6 What did you understand her to be saying in 7 that sentence? 8 A. That was a large amount of money to take out of the 9 organization at that time. 10 Q. What do you mean -- 11 A. The cash flow may not have been available for the 12 payroll. 13 Q. For the payroll of AHERF employees 14 A. Yes. 15 Q. Okay. Was there any discussion among senior 16 management as to whether the KEYSOP should be 17 funded at this time? 18 A. I believe I had some conversation with Mr. Abdelhak 19 about it, yes. 20 Q. Okay. What were the nature of your communications? 21 A. That it was difficult to fund it. 22 Q. Did you tell him the extent of the underfunding? 23 A. I probably did, I don't recall. 24 Q. Okay. What was his response? 25 A. That I should move forward and do the best that I</p>

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<p style="text-align: right;">Page 162</p> <p>1 could with it.</p> <p>2 Q. Did you communicate to him that funding KEYSOP --</p> <p>3 properly funding the KEYSOP might have an adverse</p> <p>4 effect on the ability of the organization to meet</p> <p>5 its payroll?</p> <p>6 A. I probably did, but I don't recall for sure.</p> <p>7 Q. Okay. Do you have any recollection of him</p> <p>8 responding, if you had made that comment, do you</p> <p>9 recollect?</p> <p>10 A. He didn't say.</p> <p>11 MS. DeMASI: Objection to form.</p> <p>12 Q. (BY MR. TAMBURRI) Okay. Did you understand after</p> <p>13 having your conversation with him that you should</p> <p>14 fund the KEYSOP payroll -- or to ensure that it</p> <p>15 should be properly funded?</p> <p>16 A. That I should move forward with it, yes.</p> <p>17 Q. Okay. Is that what you did?</p> <p>18 A. Yes.</p> <p>19 Q. Okay. How did you go about doing that?</p> <p>20 A. Well as we indicated here, I think we did the</p> <p>21 liquidation of the T-note. I don't recall, given</p> <p>22 the time of this whether that actually -- whether</p> <p>23 the final funding actually took place.</p> <p>24</p> <p>25 (Document was marked Deposition</p>	<p style="text-align: right;">Page 164</p> <p>1 this first: And you authorized her to roll those</p> <p>2 assets over into the KEYSOP on May 6th, 1998?</p> <p>3 A. Yes.</p> <p>4 Q. It was your understanding at the time that you</p> <p>5 wrote this that by rolling over these assets the</p> <p>6 KEYSOP accounts would still be underfunded by</p> <p>7 approximately \$2 million?</p> <p>8 A. I'd have to go back and take a look at the numbers.</p> <p>9 This would suggest that they were funded to the</p> <p>10 extent that the benefits had been earned.</p> <p>11 Q. Okay. But to the extent that there were deferred</p> <p>12 bonuses that had accrued but were not yet payable,</p> <p>13 the plan was still underfunded?</p> <p>14 A. Underfunded, right.</p> <p>15 Q. Okay.</p> <p>16</p> <p>17 (Document was marked Deposition</p> <p>18 Exhibit Number 2496 for identification.)</p> <p>19</p> <p>20 Q. (BY MR. TAMBURRI) Mr. Kasperbauer let me show you</p> <p>21 what's been marked as Exhibit 2496. Do you</p> <p>22 recognize this document?</p> <p>23 A. Yes, it's a request for electronics fund transfer</p> <p>24 for Mellon Bank AHERF Concentration account to</p> <p>25 National City Bank, authorized by me.</p>
<p style="text-align: right;">Page 163</p> <p>1 Exhibit Number 2495 for identification.)</p> <p>2</p> <p>3 Q. (BY MR. TAMBURRI) Mr. Kasperbauer, let me show you</p> <p>4 what's been marked as Exhibit Number 2495. Do you</p> <p>5 recognize this document?</p> <p>6 A. Yes, it's a letter from me to a Gloria Pederson or</p> <p>7 Pederson at National City Bank in Minneapolis</p> <p>8 regarding the asset allocation and distribution of</p> <p>9 funds for the start-up of the KEYSOP.</p> <p>10 Q. And did you prepare this document as the executive</p> <p>11 at AHERF responsible for the KEYSOP plan?</p> <p>12 A. Yes, I did.</p> <p>13 Q. Did you keep a copy of this document in your files?</p> <p>14 A. Yes, I would have.</p> <p>15 Q. That's your signature?</p> <p>16 A. Yes.</p> <p>17 Q. In this letter did you authorize Ms. Pederson at</p> <p>18 National City Bank to roll over the assets that are</p> <p>19 listed on the second page of the letter? Excuse</p> <p>20 me, roll them over into the KEYSOP plan?</p> <p>21 A. Yes, I did.</p> <p>22 Q. And these assets totaled or were valued at</p> <p>23 approximately \$5.7 million?</p> <p>24 A. Yes.</p> <p>25 Q. Was it your understanding -- well let me ask you</p>	<p style="text-align: right;">Page 165</p> <p>1 Q. Is that your signature under the approval section</p> <p>2 on the first page?</p> <p>3 A. Yes, it is.</p> <p>4 Q. And did you keep a copy of this document in your</p> <p>5 file?</p> <p>6 A. Yes, I would have.</p> <p>7 Q. What is -- what was the AHERF Concentration</p> <p>8 account?</p> <p>9 A. I believe that was the account that was used for</p> <p>10 disbursements, distribution, sort of a single</p> <p>11 checking account for the corporation.</p> <p>12 Q. Was that the account through which payroll payments</p> <p>13 were made; do you know?</p> <p>14 A. I don't know.</p> <p>15 Q. And what was the purpose of this document?</p> <p>16 A. This appears to be the authorization for the final</p> <p>17 funding of the KEYSOP program. The difference</p> <p>18 between the benefits allocated and the sources of</p> <p>19 fund in the trust funds.</p> <p>20 Q. And this was -- this document authorizing Mellon</p> <p>21 Bank to electronically transfer approximately \$1.8</p> <p>22 million to the KEYSOP accounts maintained by</p> <p>23 National City Bank?</p> <p>24 A. That's the authorization to do that, yes.</p> <p>25 Q. That's what this document is?</p>

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<p style="text-align: right;">Page 166</p> <p>1 A. Yes.</p> <p>2 Q. Okay. And Mellon Bank, to the best of your</p> <p>3 knowledge, transferred that money to the KEYSOP</p> <p>4 accounts?</p> <p>5 A. Yes.</p> <p>6 Q. And that was on May 6th, 1998?</p> <p>7 A. Yes.</p> <p>8 Q. Turn to the second page.</p> <p>9 A. (Witness complies).</p> <p>10 Q. Did you prepare this spreadsheet on the second</p> <p>11 page?</p> <p>12 A. Yes, or someone on my staff would have.</p> <p>13 Q. Okay. In the 1.878 -- 1.8 million that's listed at</p> <p>14 the bottom of the spreadsheet, that's been labeled</p> <p>15 as additional funding needed; is that right?</p> <p>16 A. Correct.</p> <p>17 Q. And that's the additional funding that was needed</p> <p>18 to fund the KEYSOP accounts?</p> <p>19 A. Correct.</p> <p>20 Q. Okay. Will you turn to the last page.</p> <p>21 A. (Witness complies).</p> <p>22 Q. This last page is actually a duplicate of the</p> <p>23 exhibit I just showed you, 2495; is that right?</p> <p>24 A. Yes.</p> <p>25 Q. Okay. And I may have mistaken you or mislead you</p>	<p style="text-align: right;">Page 168</p> <p>1 spreadsheet?</p> <p>2 A. It would be the far right number, the 2,191,000.</p> <p>3 Q. Okay, that was the value of his KEYSOP account?</p> <p>4 A. KEYSOP.</p> <p>5 Q. What was the value of your KEYSOP account on May</p> <p>6 1st, 1998?</p> <p>7 A. \$621,889.</p> <p>8 Q. And can you tell me the value of the accounts for</p> <p>9 the remaining executives on that date?</p> <p>10 A. Donald Kaye, MD's account balance was \$763,896;</p> <p>11 David McConnell, 700 -- I'm sorry, did I misread</p> <p>12 that? Donald Kaye, 763,896; David McConnell,</p> <p>13 \$786,010; Anthony Sanzo, \$590,164; and Nancy</p> <p>14 Wynstra, 900 -- excuse me, \$797,360.</p> <p>15 Q. Did you or any of the other executives redeem the</p> <p>16 value of your KEYSOP accounts at any time in the</p> <p>17 future?</p> <p>18 A. Yes. Those accounts were liquidated in, I think,</p> <p>19 June of 1998.</p> <p>20 Q. What prompted the liquidation of those accounts?</p> <p>21 A. They were liquidated primarily to free up assets to</p> <p>22 pay off Mr. Abdelhak's Executive Loan Program and</p> <p>23 David McConnell's Executive Loan Program and Nancy</p> <p>24 Wynstra's, too, I believe.</p> <p>25 Mr. Abdelhak and Mr. McConnell were separated</p>
<p style="text-align: right;">Page 167</p> <p>1 inadvertently. I think I asked you on Exhibit 2495</p> <p>2 if that spreadsheet was a list of the accounts that</p> <p>3 had been rolled over or liquidated into the KEYSOP?</p> <p>4 A. Well that's not the case.</p> <p>5 Q. That's not the case?</p> <p>6 A. This is the end point.</p> <p>7 Q. These are the assets that were purchased?</p> <p>8 A. Correct.</p> <p>9 Q. These were the funds that were owned by the</p> <p>10 executives in the KEYSOP plan?</p> <p>11 A. Right.</p> <p>12 Q. Okay. And those funds total approximately</p> <p>13 \$5.7 million?</p> <p>14 A. Correct.</p> <p>15 Q. Okay. Did you ever talk to anyone other than</p> <p>16 Mr. Abdelhak and/or Ms. Bailey about underfunding</p> <p>17 of the KEYSOP in May of 1998?</p> <p>18 A. Not other than my staff. Maria Randall was on my</p> <p>19 staff and Miriam Bailey reported to her. But no, I</p> <p>20 don't recall talking to anyone else.</p> <p>21 Q. Okay. Turn back to that last exhibit, the last</p> <p>22 page of the last exhibit.</p> <p>23 A. (Witness complies).</p> <p>24 Q. Was the value of Mr. Abdelhak's KEYSOP account on</p> <p>25 May 1st, 1998, is that identified here on this</p>	<p style="text-align: right;">Page 169</p> <p>1 from the organization, and they had loans that were</p> <p>2 due, and those assets were liquidated to settle</p> <p>3 those loans.</p> <p>4 MR. TAMBURRI: I'm short one copy of</p> <p>5 this. Share.</p> <p>6</p> <p>7 (Document was marked Deposition</p> <p>8 Exhibit Number 2497 for identification.)</p> <p>9</p> <p>10 Q. (BY MR. TAMBURRI) Let me show you what's been</p> <p>11 marked as Exhibit 2497. Do you recognize this</p> <p>12 document?</p> <p>13 A. Yes. These appear to be copies of cancelled checks</p> <p>14 for the distribution out of the -- make sure -- out</p> <p>15 of the KEYSOP program, yes.</p> <p>16 Q. Did you prepare these checks?</p> <p>17 A. The Payroll Department prepared these checks.</p> <p>18 Q. Did they prepare them at --</p> <p>19 A. At my request, yes.</p> <p>20 Q. At your request?</p> <p>21 A. Yes.</p> <p>22 Q. What were the -- let me take a step back.</p> <p>23 Did these checks included in these -- or copies</p> <p>24 of these checks that are included in these</p> <p>25 exhibits, represent -- were they tendered for the</p>

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1 full amount of the KEYSOP accounts for these
 2 executives as of the date of the checks?
 3 A. Yes. That's my understanding.
 4 Q. Okay. And these checks, they were all issued on
 5 July 10th, 1998?
 6 A. Yes.
 7 Q. Can you tell me how much Mr. Abdelhak received on
 8 that date?
 9 A. The net amount of -- the amount after taxes was
 10 \$1,516, looks like 170.97.
 11 Q. How much did you receive on that date?
 12 A. I received \$430,431.49.
 13 Q. How about Doctor Kaye?
 14 A. Doctor Kaye received \$499,727.84.
 15 Q. How about David McDonnell?
 16 A. David McDonnell received \$449,437.75.
 17 Q. And Mr. Sanzo?
 18 A. \$408,009.80.
 19 Q. Did Ms. Wynstra receive a check, too, to the best
 20 of your recollection?
 21 A. I believe so, yes.
 22 Q. Do you remember how much she received?
 23 A. No, I don't.
 24 Q. If I told you it was \$528,691.12, does that seem to
 25 be fairly accurate?

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1 A. That would be accurate, given the relationship to
 2 the other executives' disbursements.
 3 Q. Okay. Do you need a break?
 4 A. No, I don't. Thank you.
 5 Q. Did AHERF own corporate jets during the time that
 6 you worked there?
 7 A. Yes.
 8 Q. How many corporate jets did it own?
 9 A. Two.
 10 Q. Do you know when AHERF owned those corporate jets?
 11 A. I couldn't give you precise dates, no.
 12 Q. Was there a point at which spouses of certain
 13 executives were authorized to use the corporate
 14 jets?
 15 A. I believe so, yes.
 16 Q. Do you know whose spouses were authorized to use
 17 the corporate jets?
 18 A. You mean to fly on the jet with their husbands or
 19 spouses?
 20 Q. Yeah, exactly.
 21 A. I'm not sure I could tell you all of them. I'm
 22 certain Sherif and David. My wife and I flew on it
 23 from time to time. I'm not sure I could give you a
 24 list of who.
 25 Q. Okay. Was there a point at which those executives'

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1 spouses were -- where AHERF was billed for the cost
 2 of the spouses travelling with -- forgive me, it's
 3 been a long day.
 4 A. I know.
 5 Q. Was there a point at which AHERF paid for the
 6 spouses of executives to fly on corporate jet?
 7 A. I don't know.
 8 Q. Okay.
 9
 10 (Document was marked Deposition
 11 Exhibit Number 2498 for identification.)
 12
 13 Q. (BY MR. TAMBURRI) Let me show you what's been
 14 marked as Exhibit 2498.
 15 A. Uh-huh.
 16 Q. Have you seen this document before?
 17 A. No, I have not.
 18 Q. Okay. There's a reference in this document to
 19 AHSPIC?
 20 A. Yes.
 21 Q. What was AHSPIC?
 22 A. That was the Captive Insurance Company that
 23 provided medical liability insurance for physicians
 24 in the hospitals within the system.
 25 Q. This document suggests that per director,

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1 Mr. Abdelhak, the spouses of the following
 2 executives would be provided travel through AHSPIC?
 3 And that was Sherif Abdelhak, David McDonnell, you,
 4 Anthony Sanzo, Donald Kaye, Nancy Wynstra.
 5 The document also says, "Please take the
 6 necessary steps to make sure that AHSPIC is billed
 7 accordingly."
 8 Did you ever learn that AHSPIC was billed for
 9 the travel of the following -- of those
 10 executives -- spouses of those executives at any
 11 particular time?
 12 MS. DeMASI: Object to the form of the
 13 question.
 14 A. I don't know.
 15 Q. (BY MR. TAMBURRI) Okay. Did you ever know or
 16 learn that Mr. Abdelhak's wife, that AHERF paid her
 17 travel expenses when she travelled with him?
 18 A. I had no knowledge of that.
 19 Q. Did you ever travel to the Grand Cayman Islands as
 20 part of, or in connections with AHSPIC Board
 21 meetings?
 22 A. Yes, on one occasion.
 23 Q. Okay. When was that?
 24 A. I believe that was in January or February of '96.
 25 Q. How many people attended that meeting?

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Dwight Kasperbauer

<p style="text-align: right;">Page 174</p> <p>1 A. My guess would be 15 to 20 executives, Board 2 members, physicians, and then spouses as well. 3 Some spouses. 4 Q. Okay. Why were Board meetings for AHSPIC held in 5 the Grand Cayman Islands? 6 A. I believe because of the insurance company being an 7 offshore insurance company. And as such, there's 8 an advantage to avoid on-shore premium taxes and 9 other restrictions and complications to provide 10 liability insurance. 11 12 (Document was marked Deposition 13 Exhibit Number 2499 for identification.) 14 15 Q. (BY MR. TAMBURRI) Let me show you what's been 16 marked as Exhibit 2499. I'll give you a chance to 17 look at this document. 18 A. Okay. 19 Q. Did you receive a copy of this document? 20 A. I believe I would have, yes. 21 Q. Okay. What is this document? 22 A. It essentially lays out the itinerary and travel 23 arrangements and accommodation assignments for 24 those people attending the Captive Insurance 25 meeting in the Cayman's.</p>	<p style="text-align: right;">Page 176</p> <p>1 Q. How about Reykjavik, Iceland? 2 A. I thought I heard about an offshore AHSPIC meeting 3 in Reykjavik. 4 Q. Okay. Do you know when that was? 5 A. No. 6 Q. Okay. You didn't attend that meeting? 7 A. No. 8 Q. Okay. Did you ever hear that there were meetings 9 held in Stockholm, Copenhagen, or Scotland by AHERF 10 executives that were billed to the organization? 11 A. No. 12 Q. Did you ever meet with an individual named Rob 13 Cepielik from Coopers & Lybrand -- 14 PricewaterhouseCoopers? 15 A. What was the name? 16 Q. Rob Cepielik, in October of 1998? 17 A. Not that I recall. 18 THE COURT REPORTER: Can you spell that 19 last name, by any chance? Is it Cepielik? 20 MS. DeMASI: C-e-p-i-e-l-i-k. 21 THE COURT REPORTER: Thank you. 22 A. What time period? 23 Q. (BY MR. TAMBURRI) October 1998. 24 A. Would have been after the bankruptcy. 25 Q. (Nods head up and down).</p>
<p style="text-align: right;">Page 175</p> <p>1 Q. And that was for 1997? 2 A. Yeah, January of '97. 3 Q. Okay. So, to the extent you attended one of these 4 meetings, it was probably '97? 5 A. '97. I said '96. Yeah. 6 Q. Okay. If you look down on the first page, 7 Paragraph 4 says, "Travel Expense Reimbursement 8 Form. Maximum reimbursements, including prepaid 9 airline tickets and hotel is \$2,650." 10 Do you remember if AHERF paid for, or 11 reimbursed travel expenses for everyone that 12 travelled to the extent of \$200 and -- \$2600? 13 MS. DeMASI: Objection to form. 14 A. I believe so. 15 Q. (BY MR. TAMBURRI) Okay. And would that have 16 included guests who were not employees of the 17 organization? 18 A. Yes. 19 Q. Okay. When an executive and his spouse were 20 travelling, were their expenses reimbursed each by 21 \$2600; do you know? 22 A. I don't recall the mechanics of it. 23 Q. Okay. Did you ever hear of AHERF executives taking 24 trips to Portugal using AHERF money? 25 A. No.</p>	<p style="text-align: right;">Page 177</p> <p>1 A. No, I'm sorry, doesn't ring a bell. 2 Q. Did you ever hear that AHERF paid any money on 3 behalf of Sherif Abdelhak in connection with his 4 divorce? 5 A. No. 6 7 (Document was marked Deposition 8 Exhibit Number 2500 for identification.) 9 10 MR. TAMBURRI: I apologize, I'm short one 11 copy. 12 Q. (BY MR. TAMBURRI) Mr. Kasperbauer, let me show you 13 what's been marked as Exhibit 2500. Have you ever 14 seen this document before? 15 A. No, I don't recognize it. 16 Q. Okay. Let me refer to you to Page 3249. I'll just 17 represent to you that this is a document that was 18 produced by PricewaterhouseCoopers in this 19 litigation. 20 A. Uh-huh. 21 Q. If you'll look at the top, it says, Section E, 22 "Risk of intentional misstatement of the financial 23 statements." 24 Under "Area For Assessment" in the left it 25 says, "The auditor should be alert for any known</p>

45 (Pages 174 to 177)

DEPOSITION ERRATA SHEET[illegible]

SIGNATURE

DATE: 5-25-04

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Dwight Kasperbauer

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11 Subscribed and sworn to before me this _____ day of

12 _____, 2004.

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My Commission Expires:

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NOTARY PUBLIC

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